

NORTHWEST IOWA AREA SOLID WASTE AGENCY

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2020 AND 2019

NORTHWEST IOWA AREA SOLID WASTE AGENCY

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NORTHWEST IOWA AREA SOLID WASTE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Brad Hindt	Chairman	Sheldon
Les Brommer	Vice-Chairman	Sioux Center
Kelly Schulz	Board Member	Hospers
Cheryl Hoyer	Board Member	Everly
Randy Lyman	Board Member	Sanborn
Leroy DeBoer	Board Member	Osceola County
Arlyn Pedley	Board Member	Ocheyedan
Jerry Johnson	Board Member	Sibley
Dennis Thielvoldt	Board Member	Alvord
Jon Gerber	Board Member	Lester
Dan Rolfes	Board Member	Akron
Mark Behrens	Board Member	Lyon County
Jerry Muilenburg	Board Member	Sioux County
Dennis Vanden Hull	Board Member	O'Brien County



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Northwest Iowa Area Solid Waste Agency:

Report on Financial Statements

We have audited the accompanying financial statements of Northwest Iowa Area Solid Waste Agency (the Agency) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design auditor procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northwest Iowa Area Solid Waste Agency, as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability, the Schedule of Agency's Contributions, and Notes to Required Supplementary Information- Pension Liability on pages 4 through 7 and pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and compliance.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
October 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Agency's operating revenues increased 9.72%, or \$228,916 from the fiscal year 2019 to fiscal year 2020.
- The Agency's operating expenses increased 13.07%, or \$200,682 from fiscal year 2019 to fiscal year 2020.
- The Agency's Net Position increased 13.41%, or \$957,695 from June 30, 2019 to June 30, 2020.

USING THIS ANNUAL REPORT

The Northwest Iowa Area Solid Waste Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statements of Net Position present information on the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position are the basic statement of activities for proprietary funds. These statements present information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE AGENCY

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. The Agency's net position for fiscal year 2020 totaled \$8,097,681. This compares to \$7,139,986 for fiscal year 2019. A summary of the Agency's net position is presented below.

STATEMENTS OF NET POSITION		
	June 30,	
	2020	2019
Current Assets	\$ 5,473,547	\$ 4,857,957
Noncurrent Assets	772,195	808,729
Restricted Investments	2,033,370	1,964,740
Capital Assets at cost, less accumulated depreciation	3,453,571	2,895,924
Total Assets	11,732,683	10,527,350
Deferred Outflows of Resources	71,292	89,128
Current Liabilities	110,576	92,504
Long Term Liabilities	3,513,507	3,320,760
Total Liabilities	3,624,083	3,413,264
Deferred Inflows of Resources	82,211	63,228
Net Position:		
Net Investment in Capital Assets	3,453,571	2,895,924
Restricted	330,743	293,582
Unrestricted	4,313,367	3,950,480
Total Net Position	\$ 8,097,681	\$ 7,139,986

The unrestricted portion may be used to meet the Agency's obligations as they come due. The Agency's restricted cash and cash equivalents are for tonnage fees and restricted certificates of deposit are for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The amount invested in capital assets (e.g. land, buildings and equipment) are resources allocated to capital assets.

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste, recycling fees and other income. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest and dividend income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2020 and June 30, 2019 is presented on the following page:

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

OPERATING REVENUES

	2020	2019
Gate Fees	\$ 2,557,261	\$ 2,334,590
Recycling Fees	4,746	5,829
Household Hazardous Materials	21,248	13,295
Other Income	-	625
Total Operating Revenues	<u>2,583,255</u>	<u>2,354,339</u>

OPERATING EXPENSES

Salaries & Benefits	530,070	525,770
Payroll Tax Expenses	28,599	28,933
Director and Management Fees	2,452	2,877
Insurance	39,302	37,271
Water and Soil Sample Expense	15,501	18,070
Disposal Fees	15,117	16,544
Leachate Disposal Expense	65,589	16,713
Repairs and Maintenance	59,293	58,821
Gravel	13,963	31,954
Custodial Expense	1,980	1,830
Fuel	64,143	87,460
HHM Expense	18,774	12,988
Litter Control	6,325	4,400
Recycling Processing Fees	40,942	18,639
Education and Training	2,626	2,269
Tire Disposal Fees	39,720	7,150
Depreciation	323,407	241,144
Utilities	11,857	12,411
Engineering and Hydrological Study	28,441	62,083
Tonnage Fees	153,675	144,851
Advertising	2,443	871
Office Supplies and Services	5,315	5,899
Professional Services	24,982	21,935
Property Taxes & Permits	1,230	1,250
Closure and Postclosure Care Costs	224,164	173,387
Bad Debts	16,325	-
Miscellaneous Expenses	184	217
Total Operating Expenses	<u>1,736,419</u>	<u>1,535,737</u>

Operating Income	846,836	818,602
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NON-OPERATING REVENUES

Interest Income	110,429	98,995
Dividend Income	430	559
Total Non-Operating Revenues	<u>110,859</u>	<u>99,554</u>

Change in Net Position	957,695	918,156
Net Position Beginning of Period	<u>7,139,986</u>	<u>6,221,830</u>
Net Position End of Period	<u>\$ 8,097,681</u>	<u>\$ 7,139,986</u>

The Statements of Revenues, Expenses, and Changes in Net Position reflect a positive year with an increase in the net position at the end of the fiscal year.

In fiscal year 2020, operating revenues increased by \$228,916, or 9.72%, primarily a result of an increase in tonnage. Operating expenses increased by \$200,682, or 13.07%. The increase in operating expenses was primarily due to an increase in closure and post closure costs and depreciation.

Statements of Cash Flows

The Statement of Cash Flow presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees, recycling fees and other income reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets and cell construction. Cash used by investing activities includes purchase of certificates of deposits, Iowa Public Agency Investment Trust, and Interest Income.

CAPITAL ASSETS

At June 30, 2020, the Agency had \$3,453,571 invested in capital assets, net of accumulated depreciation of \$3,499,599. Depreciation charges totaled \$323,407 for fiscal year 2020. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

Northwest Iowa Area Solid Waste Agency improved its financial position during the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand, and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- Continued Iowa Department of Natural Resources' regulatory changes in permit compliance.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the agency's ability to react to current and unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Northwest Iowa Area Solid Waste Agency, 4540 360th Street, Sheldon, Iowa.

BASIC FINANCIAL STATEMENTS

NORTHWEST IOWA AREA SOLID WASTE AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Current Assets		
Cash and Cash Equivalents	\$ 2,717,164	\$ 2,377,072
Cash and Cash Equivalents - Restricted	330,743	293,582
Certificates of Deposit	550,189	404,711
Investments - IPAIT	1,581,928	1,502,285
Receivables:		
Accounts Receivable	235,794	227,072
Accrued Interest	19,929	16,307
Prepaid Expenses	37,800	36,928
Total Current Assets	<u>5,473,547</u>	<u>4,857,957</u>
Noncurrent Assets		
Certificates of Deposit	772,195	808,729
Restricted Assets:		
Certificates of Deposit - Closure and Postclosure Care	2,033,370	1,964,740
Capital Assets (Net of Accumulated Depreciation)	<u>3,453,571</u>	<u>2,895,924</u>
Total Noncurrent Assets	<u>6,259,136</u>	<u>5,669,393</u>
Total Assets	<u>11,732,683</u>	<u>10,527,350</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	<u>71,292</u>	<u>89,128</u>
 LIABILITIES		
Current Liabilities		
Accounts Payable	54,452	33,969
Salaries and Benefits Payable	223	1,998
Accrued Solid Waste Fee	44,254	41,717
Accrued Property Taxes	1,230	1,250
Compensated Absences	10,417	13,570
Total Current Liabilities	<u>110,576</u>	<u>92,504</u>
Long Term Liabilities		
Estimated Liability for Landfill Closure and Postclosure Care	3,229,577	3,005,412
Net Pension Liability	<u>283,930</u>	<u>315,348</u>
Total Long Term Liabilities	<u>3,513,507</u>	<u>3,320,760</u>
Total Liabilities	<u>3,624,083</u>	<u>3,413,264</u>
 DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	<u>82,211</u>	<u>63,228</u>
 NET POSITION		
Net Investment in Capital Assets	3,453,571	2,895,924
Restricted For:		
Tonnage Fees Retained	330,743	293,582
Unrestricted	4,313,367	3,950,480
Total Net Position	<u>\$ 8,097,681</u>	<u>\$ 7,139,986</u>

See Accompanying Notes to Financial Statements

NORTHWEST IOWA AREA SOLID WASTE AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Gate Fees	\$ 2,557,261	\$ 2,334,590
Recycling Fees	4,746	5,829
Household Hazardous Materials	21,248	13,295
Other Income	-	625
Total Operating Revenues	<u>2,583,255</u>	<u>2,354,339</u>
OPERATING EXPENSES		
Salaries	378,831	373,491
Payroll Tax Expenses	28,599	28,933
Pension Expense	40,481	30,447
Directors and Management Fees	2,452	2,877
Insurance	39,302	37,271
Employee Insurance Benefits	110,758	121,832
Water and Soil Sample Expense	15,501	18,070
Disposal Fees	15,117	16,544
Leachate Disposal Expense	65,589	16,713
Repairs and Maintenance	59,293	58,821
Gravel	13,963	31,954
Custodial Expense	1,980	1,830
Fuel	64,143	87,460
HHM Expense	18,774	12,988
Litter Control	6,325	4,400
Recycling Processing Fees	40,942	18,639
Education and Training	2,626	2,269
Tire Disposal Fees	39,720	7,150
Depreciation	323,407	241,144
Utilities	11,857	12,411
Engineering and Hydrological Study	28,441	62,083
Tonnage Fees	153,675	144,851
Advertising	2,443	871
Office Supplies and Services	5,315	5,899
Professional Services	24,982	21,935
Property Taxes & Permits	1,230	1,250
Closure and Postclosure Care Costs	224,164	173,387
Bad Debt Expense	16,325	-
Miscellaneous Expenses	184	217
Total Operating Expenses	<u>1,736,419</u>	<u>1,535,737</u>
Operating Income	846,836	818,602
NON-OPERATING REVENUES		
Interest Income	110,429	98,995
Dividend Income	430	559
Total Non-Operating Revenues	<u>110,859</u>	<u>99,554</u>
Change in Net Position	957,695	918,156
Net Position Beginning of Period	<u>7,139,986</u>	<u>6,221,830</u>
Net Position End of Period	<u><u>\$ 8,097,681</u></u>	<u><u>\$ 7,139,986</u></u>

See Accompanying Notes to Financial Statements

**NORTHWEST IOWA AREA SOLID WASTE COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 2,574,534	\$ 2,338,544
Cash Paid to Suppliers for Goods and Services	(608,050)	(583,230)
Cash Paid to Employees for Services	(558,197)	(558,872)
Other Income	-	625
Net Cash Provided by Operating Activities	<u>1,408,287</u>	<u>1,197,067</u>
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Property and Equipment	(881,054)	(451,120)
Net Cash (Used) by Capital & Related Financing Activities	<u>(881,054)</u>	<u>(451,120)</u>
Cash Flows from Investing Activities:		
Purchase of Iowa Public Agency Investment Trust	(180,000)	(140,000)
Purchase of Certificates of Deposit	(392,884)	-
Sale of Certificates of Deposit	400,000	-
Interest Received	22,474	20,201
Dividends Received	430	559
Net Cash (Used) in Investing Activities	<u>(149,980)</u>	<u>(119,240)</u>
Net Increase in Cash and Cash Equivalents	377,253	626,707
Cash and Cash Equivalents - Beginning of Period	<u>2,670,654</u>	<u>2,043,947</u>
Cash and Cash Equivalents - End of Period	<u>\$ 3,047,907</u>	<u>\$ 2,670,654</u>
 Components of Cash and Cash Equivalents - End of Period:		
Cash and Cash Equivalents - Undesignated	\$ 2,717,164	\$ 2,377,072
Cash and Cash Equivalents - Restricted	330,743	293,582
	<u>\$ 3,047,907</u>	<u>\$ 2,670,654</u>
 SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING TRANSACTIONS:		
Reinvestment of CD Interest	<u>\$ 84,334</u>	<u>\$ 75,383</u>

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	<u>2020</u>	<u>2019</u>
Operating Income	\$ 846,836	\$ 818,602
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	323,407	241,144
(Increase) Decrease in:		
Accounts Receivable	(8,722)	(15,169)
Prepaid Expenses	(872)	(2,528)
Deferred Outflow of Resources	17,836	25,371
Increase (Decrease) in:		
Accounts Payable	20,483	(16,862)
Salaries and Benefits Payable	(1,775)	270
Accrued Solid Waste Fee	2,537	2,594
Accrued Property Taxes	(20)	68
Compensated Absences	(3,153)	339
Landfill Closure and Postclosure Care	224,165	173,387
Net Pension Liability	(31,418)	(76,544)
Deferred Inflows of Resources	18,983	46,395
Total Adjustments	<u>561,451</u>	<u>378,465</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,408,287</u></u>	<u><u>\$ 1,197,067</u></u>

NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five-county area. Admission to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

The Agency's financial Statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Northwest Iowa Area Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as a single business-type activity. Business-Type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months. Restricted cash and cash equivalents are retained tonnage fees as in accordance with Chapter 455B.310 of the Code of Iowa.

E. Restricted Assets- Certificates of Deposit

Funds set aside for payment of closure and postclosure care costs are classified as restricted.

F. Capital Assets

Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reported capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Building and Improvements	\$ 1,000
Equipment and Vehicles	\$ 500

Capital assets of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	15-25
Land and Building Improvements	7-41
Equipment and Vehicles	5-10
Landfill cell development	Landfill capacity used

G. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment only upon termination, death or retirement. The Agency's liability for accumulated vacation, including applicable employee benefits, has been computed based on rates of pay in effect at June 30, 2020 and 2019.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

K. Accounts Receivable and Allowance

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of the fiscal year. The allowance for doubtful accounts at June 30, 2020 and 2019 was \$0 and \$0, respectively.

Note 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Agency's deposits at June 30, 2020 and 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, it's agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2020 and 2019, the Agency had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at amortized cost of \$1,581,928 and \$1,502,285, respectively, pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Agency's investment in IPAIT is unrated.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk: As a means of limiting its exposure to interest rate risk, the Agency diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The Agency does have a formal investment policy that limits the investment maturities as a means of managing its exposure.

The Agency had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3 – CAPITAL ASSETS

A summary of capital assets at June 30, 2020 as follows:

	Beginning Balance	Additions	Deletions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 183,046	\$ -	\$ -	\$ 183,046
Total Capital Assets Not Depreciated	183,046	-	-	183,046
Capital Assets Being Depreciated				
Land Improvements	2,585,593	34,588	-	2,620,181
Buildings	887,363	8,783	-	896,146
Equipment	2,506,901	837,683	(117,676)	3,226,908
Office Equipment and Furniture	26,889	-	-	26,889
Total Capital Assets Being Depreciated	6,006,746	881,054	(117,676)	6,770,124
Less Accumulated Depreciation For:				
Land Improvements	662,452	140,509	-	802,961
Buildings	665,076	22,803	-	687,879
Equipment	1,947,601	158,130	(117,676)	1,988,055
Office Equipment	18,739	1,965	-	20,704
Total Accumulated Depreciation	3,293,868	323,407	(117,676)	3,499,599
Total Capital Assets Being Depreciated, Net	2,712,878	557,647	-	3,270,525
Total Capital Assets, Net	\$ 2,895,924	\$ 557,647	\$ -	\$ 3,453,571

Northwest Iowa Area Solid Waste Agency had no contractual commitments at June 30, 2020 for construction and closure of cells.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 3 – CAPITAL ASSETS (Continued)

A summary of capital assets at June 30, 2019 as follows:

	Beginning Balance	Additions	Deletions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 183,046	\$ -	\$ -	\$ 183,046
Total Capital Assets Not Depreciated	183,046	-	-	183,046
Capital Assets Being Depreciated				
Land Improvements	2,565,557	20,036	-	2,585,593
Buildings	887,363	-	-	887,363
Equipment	2,491,147	338,168	(322,414)	2,506,901
Office Equipment and Furniture	23,739	3,150	-	26,889
Total Capital Assets Being Depreciated	5,967,806	361,354	(322,414)	6,006,746
Less Accumulated Depreciation For:				
Land Improvements	525,425	137,027	-	662,452
Buildings	641,216	23,860	-	665,076
Equipment	2,191,619	78,396	(322,414)	1,947,601
Office Equipment	16,878	1,861	-	18,739
Total Accumulated Depreciation	3,375,138	241,144	(322,414)	3,293,868
Total Capital Assets Being Depreciated, Net	2,592,668	120,210	-	2,712,878
Total Capital Assets, Net	\$ 2,775,714	\$ 120,210	\$ -	\$ 2,895,924

Northwest Iowa Area Solid Waste Agency had immaterial contractual commitments at June 30, 2019 for construction and closure of cells.

Note 4 – PENSION AND RETIREMENT BENEFITS

Plan Description

IPERS membership is mandatory for employees of the Agency, except those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Agency contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Agency's total contributions to IPERS for the year ended June 30, 2020 and 2019 were \$35,081 and \$35,226, respectively.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the Agency reported a liability of \$283,930 and \$315,348, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

The Agency's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019 and 2018, the Agency's collective proportion was .0049032% and .0049831% which was a decrease of 0.00008% from its proportion measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Agency recognized pension expense of \$40,481 and \$30,447, respectively. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 789	\$ 10,209
Changes of assumptions	30,413	-
Net difference between projected and actual earnings on IPERS investments	-	31,995
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	5,009	40,007
Agency contributions subsequent to the measurement date	35,081	-
Total	<u>\$ 71,292</u>	<u>\$ 82,211</u>

At June 30, 2019, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,730	\$ 7,127
Changes of assumptions	44,986	-
Net difference between projected and actual earnings on IPERS investments	-	8,665
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	7,186	47,436
Agency contributions subsequent to the measurement date	35,226	-
Total	<u>\$ 89,128</u>	<u>\$ 63,228</u>

\$35,081 and \$35,226 are reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2021 and 2020.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	\$ (4,415)
2022	(16,240)
2023	(15,171)
2024	(9,004)
2025	(1,170)
Total	<u>\$ (46,000)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated March 24, 2017.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments. Mortality rates used in the 2018 valuation were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	2020		2019	
	Asset Allocation	Long Term Expected Real Rate of Return	Asset Allocation	Long Term Expected Real Rate of Return
Core plus fixed income	27.0%	1.71%	27.0%	2.25%
Domestic equity	22.0%	5.60%	22.0%	6.01%
International equity	15.0%	6.08%	15.0%	6.48%
Private equity/debt	11.0%	10.13%	11.0%	10.81%
Global smart beta equity	3.0%	5.82%	3.0%	6.23%
Public Credit	3.5%	3.32%	3.5%	3.93%
Public Real Assets	7.0%	2.81%	7.0%	2.91%
Private Real Assets	7.5%	4.76%	7.5%	4.14%
Private Credit	3.0%	3.01%	3.0%	3.11%
Cash	1.0%	-0.21%	1.0%	-0.25%
Total	100%		100%	

Discount Rate

At June 30, 2019 and 2018, the discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

Agency's proportionate share of the net pension liability	1% Decrease	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
2020	\$ 504,170	\$ 283,930	\$ 99,197
Agency's proportionate share of the net pension liability	1% Decrease	Discount Rate	1% Increase
	6.00%	7.00%	8.00%
2019	\$ 535,197	\$ 315,348	\$ 130,914

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 4 – PENSION AND RETIREMENT BENEFITS (Continued)

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the IPERS

At June 30, 2020 and 2019, the Agency paid all legally required employee and employer contributions to IPERS.

Note 5 – RISK MANAGEMENT

Northwest Iowa Area Solid Waste Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2020 and 2019 was \$26,686 and \$26,211, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Association's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims exceeds the amount of risk-sharing protection provided by member's risk-sharing certificate, or in the event of casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 5 – RISK MANAGEMENT (Continued)

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2020 and 2019, no liability has been recorded in the Agency's financial statements. As of June 30, 2020, and 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance for all other risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – SOLID WASTE TONNAGE FEES RETAINED

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2020 and 2019, the unspent amounts retained by the Agency and restricted for the required purposes totaled \$330,743 and \$293,582, respectively.

Note 7 – MAJOR CUSTOMERS

For the period ending June 30, 2020 and 2019, three customers accounted for 47% and 44%, respectively of total operating revenue.

2020			2019		
Name	Amount	Percent	Name	Amount	Percent
Brommer	\$ 431,430	17%	Brommer	\$ 411,162	17%
OC Sanitation	533,851	21%	OC Sanitation	364,954	16%
Town & Country	252,972	10%	Town & Country	262,348	11%

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 8 – RELATED PARTIES

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

<u>Name and Title</u>	<u>Description</u>	<u>2020</u>
Les Brommer-Sioux Center Representative, Owner of Brommer Truck Line	Executive Board	
	Gate & Solid Waste Fees	\$ 431,430
	Accounts Receivable	42,477
William Honkomp, Ashton Representative	Full Board	
	Gate & Solid Waste Fees	\$ 2,384
	Accounts Receivable	45
<u>Name and Title</u>	<u>Description</u>	<u>2019</u>
Les Brommer-Sioux Center Representative, Owner of Brommer Truck Line	Executive Board	
	Gate & Solid Waste Fees	\$ 411,162
	Accounts Receivable	38,091
William Honkomp, Ashton Representative	Full Board	
	Gate & Solid Waste Fees	\$ 31,468
	Accounts Receivable	137

Note 9 – CLOSURE AND POSTCLOSURE CARE COSTS

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

Note 9 – CLOSURE AND POSTCLOSURE CARE COSTS (Continued)

These costs for the Agency have been estimated at \$3,596,365 and \$3,462,610 as of June 30, 2020 and 2019, respectively, and the portion of the liability that has been recognized is \$3,229,577 and \$3,005,412, respectively. When outlays are eventually made for closure and postclosure, the liability is reduced. The amounts for closure and postclosure are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2020 and 2019. Actual costs may be higher due to inflation, changes in technology or changes in regulations. Based on constructed volume as of June 30, 2020, the estimated remaining life of the landfill is 2 years and the capacity used at June 30, 2020 is approximately 95 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun accumulating resources to fund these costs, and as of June 30, 2020 and 2019, assets of \$2,033,370 and \$1,964,740 respectively are restricted for these purposes. They are reported as restricted assets on the Statement of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the local government financial test mechanism and the local government guarantee mechanism.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST FIVE YEARS*
REQUIRED SUPPLEMENTARY INFORMATION**

	2020	2019	2018	2017	2016
Agency's Proportion of the net position liability	0.004903%	0.004983%	0.005883%	0.005666%	0.005859%
Agency's proportionate share of the net pension liability	\$ 283,930	\$ 315,348	\$ 391,892	\$ 356,602	\$ 291,253
Agency's covered payroll	\$ 374,535	\$ 439,149	\$ 406,641	\$ 403,875	\$ 395,879
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	75.81%	71.81%	96.37%	88.30%	73.57%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full year 10-year trend is compiled, the Agency will present information for those years for which information is available.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF AGENCY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION**

	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 35,081	\$ 35,226	\$ 33,446	\$ 39,216	\$ 36,313
Contribution in relation to the statutorily required contribution	<u>(35,081)</u>	<u>(35,226)</u>	<u>(33,446)</u>	<u>(39,216)</u>	<u>(36,313)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered payroll	\$ 373,151	\$ 374,535	\$ 439,149	\$ 406,641	\$ 403,875
Contributions as a percentage of covered payroll	9.40%	9.41%	7.62%	9.64%	8.99%

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 36,066	\$ 35,352	\$ 34,494	\$ 32,401	\$ 26,830
Contribution in relation to the statutorily required contribution	<u>(36,066)</u>	<u>(35,352)</u>	<u>(34,494)</u>	<u>(32,401)</u>	<u>(26,830)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's covered payroll	\$ 395,879	\$ 397,855	\$ 401,499	\$ 386,043	\$ 364,571
Contributions as a percentage of covered payroll	9.11%	8.89%	8.59%	8.39%	7.36%

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2020 AND 2019**

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the profitability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of Northwest
Iowa Area Solid Waste Agency:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Iowa Area Solid Waste Agency, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated October 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northwest Iowa Area Solid Waste Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Iowa Area Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Iowa Area Solid Waste Agency's internal control.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Area Solid Waste Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Northwest Iowa Area Solid Waste Agency's Response to Findings

Northwest Iowa Area Solid Waste Agency's response to the finding identified in our audit is described in the accompanying schedule of findings. The Northwest Iowa Area Solid Waste Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Northwest Iowa Area Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
October 14, 2020

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

Part I: Summary of the Independent Auditors' Results:

- (A) An unmodified opinion was issued on the financial statements.
- (B) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (C) The audit did not disclose any noncompliance which could have a material effect on the financial statement accounts.

Part II: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

MATERIAL WEAKNESS:

2020-001 Segregation of Duties

Criteria – The Agency is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and, therefore, maximizing the accuracy of the Agency's financial statements.

Condition - While performing our review, it was determined that incompatible duties are being performed by the same employee in the revenue and receivable area of transaction processing.

Cause – With a limited number of personnel, review of all financial accounting activities is not feasible.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Board members.

Response – The Agency feels that additional personnel would not be cost effective. However, management and the Board will review procedures and investigate available alternatives.

Conclusion - Response accepted.

**NORTHWEST IOWA AREA SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

Part III: Other Findings Related to Statutory Reporting

- 20-III-A:** **Official Depositories** – The Board of Trustees has approved a resolution naming official depositories. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2020.
- 20-III-B:** **Questionable Expenses** – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 20-III-C:** **Travel Expenses** – No expenditures of money for travel expenses of spouses of Agency's officials or employees were noted.
- 20-III-D:** **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 20-III-E:** **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Northwest Iowa Area Solid Waste's investment policy were noted.
- 20-III-F:** **Solid Waste Tonnage Fees Retained** – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- 20-III-G:** **Financial Assurance** – The Agency has demonstrated financial assurance for closure and postclosure care costs and the corrective action costs by establishing the Local Government Financial Test mechanism and the Local Government Guarantee mechanism as provided in Chapter 567-113.1-14(6) of the Iowa Administrative Code. The Agency has also established separate accounts for closure and postclosure care. These accounts are not fully funded, but the annual required deposit was properly made.